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Edited transcript How the Fed is Invisibly Erasing $38 Trillion in Debt

Take a look at the national debt clock in Times Square right now. You'll see a number that should terrify every American. It's spinning past $36 trillion, accelerating toward $40 trillion faster than anyone predicted.

To understand how massive that is: if you stacked $36 trillion in $1 bills, the pile would reach past the moon and stretch millions of miles into space. But this isn't just a big number on a screen. This isn't an abstract problem for our grandchildren.

This is a financial weapon, pointed directly at your bank account, your retirement, and your children's future.

Today, I'm going to show you exactly how the US government plans to make this debt disappear. And I will prove to you—with mathematics and historical precedent—that *you* are the one who will pay for it. Not with taxes, not with spending cuts, but through the silent confiscation of your purchasing power.

The Tipping Point: Interest Over Everything

Something critical changed in 2024. For the first time in 247 years of American history, the United States government is now spending more on interest payments on its debt than on national defense.

Let that sink in.

- We spend more to pay past bondholders than to equip the military that protects us today.
- We spend more on interest than on Medicaid, which provides healthcare to 90 million Americans.
- We spend more on interest than on all federal education, all transportation infrastructure, and all scientific research combined.

The interest bill alone just crossed $1.1 trillion per year.

- That's $3 billion every single day.
- $125 million every hour.
- $35,000 every second, around the clock, just to service old debt.

And that number is accelerating. This is no longer a political problem—Democrat vs. Republican, left vs. right. This is a mathematical trap. And history shows that any nation in this position has only three ways out. Two are impossible for America.

Option 1: Austerity (Impossible)

This means massive, immediate spending cuts and brutal tax hikes to balance the budget and start paying down debt. The numbers are stark:

- The government spends about $6.8 trillion per year.
- It collects about $4.9 trillion in revenue.
- That's a $1.9 trillion deficit—*before* interest makes it grow.

To close that gap through taxes alone, you'd need to increase every American's tax bill by roughly 40%. The alternative would be to eliminate the entire U.S. military *or* cut Social Security and Medicare by 40%. This level of shock is politically and socially impossible.

Option 2: Default (The Nuclear Option)

The government could simply refuse to pay. Countries like Russia and Argentina have done it. But for the United States—the issuer of the world's reserve currency—this is financial Armageddon.
The entire global system is built on the assumption that U.S. Treasury bonds are "risk-free." If America defaults:

- The global banking system collapses overnight.
- Credit markets freeze. Your credit card stops working. ATMs shut down.
- International trade halts.
- It would simultaneously bankrupt major governments (China, Japan) and every major pension fund and bank in the Western world.

This option is off the table.

Option 3: Inflate the Debt Away (The Chosen Path)

That leaves the third option, the one every over-indebted empire in history has eventually chosen—from Rome to Weimar Germany to post-war Britain.

You don't refuse to pay. You don't cut spending. You don't raise taxes. You pay back every single dollar, on time, in full—but with currency that is worth significantly less than when you borrowed it. You inflate the debt away.

Here's the math:
If the government owes $36 trillion and inflation runs at 5% per year, the *real value* (purchasing power) of that debt shrinks by 5% annually. In one year, that erases $1.8 trillion of real debt—without a single tax hike or spending cut.

Bondholders get their dollars, but those dollars buy 5% fewer groceries, 5% less gasoline, 5% less healthcare. Over 10 years at 5% inflation, the real value of the debt is cut almost in half. The government makes $14 trillion "disappear," and you pay for it every time you go to the store.

This is called financial repression: a deliberate policy of keeping interest rates below the rate of inflation to transfer wealth from savers to borrowers. And the biggest borrower in history is the U.S. government.

Why the Fed Can't Save Us Anymore

For 40 years (1980-2020), the Federal Reserve could fight inflation by raising interest rates, even if it caused a recession. Not anymore. The debt is too large.

The New Math:
If interest rates returned to 1980s levels (say, 10%), the annual interest on $36 trillion would be $3.6 trillion. The entire federal individual income tax base is only about $2.4 trillion. The government would be mathematically insolvent overnight. Social Security checks would bounce. Military pay would stop.

So the Fed is trapped. It is forced to tolerate 4%, 5%, or 6% inflation because the alternative is immediate government bankruptcy. This is called fiscal dominance. The Treasury (the debtor) is now the master. The Fed's independence is dying in real time.

We've Done This Before: The 1945 Playbook

This isn't uncharted territory. In 1945, after WWII, U.S. debt was 119% of GDP—higher than ever. They didn't use austerity or default. From 1945 to 1955, the Fed capped interest rates at 2.5% by law, while inflation averaged over 6%. Bondholders lost 3.5% of their purchasing power every year. It was a silent wealth transfer from savers to the state. By 1955, the debt-to-GDP ratio was cut in half—inflated away.

That is the plan today. But now, they have three modern tools to make sure you don't notice the theft until it's too late.

Tool #1: The Captive Buyer

In a free market, a borrower with $36 trillion in debt would have to pay sky-high interest rates (8-10%). The government can't afford that, so it rigged the system.

After the 2008 crisis, regulations (like Basel III and Dodd-Frank) force banks, insurance companies, and pension funds to hold U.S. Treasury bonds to satisfy "safety" requirements. They must buy them—even at losing rates—or be shut down by regulators.

Your pension fund isn't buying government debt because it's a good investment. It's buying it because it's forced to by law. You are being compelled to lend your retirement savings to a bankrupt government at negative real returns.

Tool #2: The Broken Thermometer (Lying About Inflation)

The government has a trillion-dollar incentive to underreport inflation, because Social Security and inflation-protected bonds are tied to the official CPI (Consumer Price Index).

Since the 1980s, the CPI calculation has been quietly rewritten to suppress the number:

- Substitution Bias: If steak gets too expensive, the CPI assumes you'll buy hamburger and measures that instead. Your standard of living falls, but the CPI says "no problem."
- Hedonic Adjustments: If a car costs $10,000 more but has a better camera, they claim the price didn't *really* go up.

- Owner's Equivalent Rent: Uses estimates instead of actual home prices or rents, consistently underreporting housing costs.

If we used the 1980 methodology, the official inflation rate would be about double what is reported today. You are being gaslit about the cost of your own survival to protect the federal budget.

Tool #3: The Money Printer (Quantitative Easing)

When traditional foreign buyers (like China and Japan) stop buying or start selling U.S. debt, someone must step in to prevent a rate spike and bankruptcy. That "someone" is the Federal Reserve.

The Fed creates new money electronically and uses it to buy Treasury bonds. This is Quantitative Easing (QE). The government gets cash to spend, and the Fed gets an IOU. This floods the system with new dollars, diluting the value of every existing dollar.

Your 401(k) and house price may rise on paper—not because they're more valuable, but because there are more dollars chasing the same assets. This creates an "everything bubble." You feel wealthier, but your purchasing power is being eroded. The government pays its debts by making each of your dollars worth less.

Conclusion

The path is chosen. The math is undeniable. The historical precedent is set. The debt will be inflated away through financial repression, suppressed interest rates, underreported inflation, and money printing.

You will pay for it. Not with a line item on your tax return, but silently, every day, through a currency that buys less and less. Your wealth is being transferred to the state. This is the silent financial crisis, and it is already underway.